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C O N F I D E N T I A L SECTION 01 OF 03 BRUSSELS 000280

SIPDIS

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TAGS: [PREL](#) [PGOV](#) [EUN](#) [ENRG](#) [EPET](#) [XH](#)  
SUBJECT: UNITY QUEST: CENTRAL EUROPEAN EFFORTS TO FORGE EU  
ENERGY SECURITY POLICY

REF: A. BRUSSELS 134  
[1](#)B. BRUSSELS 219

Classified By: USEU POLMINCOUNS CHRIS DAVIS, FOR REASONS 1.4(b) and (d)

[1](#)1. (C) Summary and Introduction: Renewed efforts by the Central Europeans to approach energy security from a common EU position are being obstructed by a lack of member state unity on the issue. Holding the rotating presidency of the European Council, the Czech Republic has made energy security one of its priorities. The disruption of Russian gas to Europe in January sharpened the energy policy focus of the European Commission and certain Central European member states, notably the Czech Republic, Poland and the Baltic states. Nonetheless, EU member states remain divided on whether to create an interconnected gas distribution network and whether to commit EU financial resources to energy security in the midst of a global economic slowdown. Several EU policy experts doubt whether sufficient political capital can be mustered within the next three to four years to address effectively energy security at an EU level, and look instead to domestic and regional approaches. Meanwhile, the debate on nuclear energy within the EU appears to be shifting, with more countries willing to consider the nuclear option as a component of energy security. Even so, an EU approach to nuclear energy will prove challenging to muster, as Austria has signaled its intention to block such moves.

[1](#)2. (C) This cable is the second in a series (REF A) looking at how the Central European states that joined the EU since 2004--Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia--commonly known as the CE-10, are faring within EU institutions, especially when it comes to initiating policies in Brussels. End summary and Introduction.

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Varying Views of Russia's Reliability as an Energy Supplier  
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[1](#)3. (SBU) Poloff on 10 February attended a conference organized by the EU Russia Forum, a Brussels based think tank, entitled "EU-Russia Relations: Is Russia a Reliable Partner?" The conference panelists included an energy security expert from the European Council on Foreign Relations, a representative of the Czech EU Presidency, and an official from the EU Commission, who presented differing views of the problem and proposed solutions. According to Pierre Noel, a Senior Policy Fellow with the European Council on Foreign Relations, who is a widely respected expert on European energy policies, Germany is the main obstacle within the EU to European energy supply market integration. France, more malleable on gas networks because of its own preference for nuclear infrastructures, he said, is an important swing state. Noel then pointed to Slovakia and Hungary, which in the last couple of years have maintained a more sympathetic view toward Russia, as likely obstacles to CE-10 unity on energy security policy. Thus, Noel was pessimistic about the EU's ability to create a functioning energy supply market.

According to Noel, CE-10 states need instead to focus on building up national and regional storage sites, ideally with expanded interconnections. He argued that some states, such as Bulgaria, would be well served by also investing in their electrical grids, specifically so that they could handle demand load transfers in the event of a disruption. Noel stated that during the January gas cutoffs, Bulgarians resorted to Chinese-made electrical heaters, which placed significant demand on the national electrical grid. When pressed on how the CE-10 could, over time, rally broader EU support for a collective focus on energy security, Noel said the CE-10 had to avoid the "subsidy trap"-- requests for the EU to pay for upgrades to domestic networks and storage facilities -- as well as any attempt by the CE-10 states to view energy supply disruptions as an opportunity to summon NATO Article 5, neither of which he argued would fly.

14. (C) Poloff met separately on 11 February with Polish MEP Janusz Lewandowski, Vice Chair of the Committee on Budgets, who opined that it might have been a mistake that the new member states did not propose any initiatives in the context of EU cohesion funds to bolster energy security, whether through improved electrical grids, interconnections, storage centers, enhanced efficiency, or new power plants. Still, he speculated that Central European member states could attempt to revise their list of approved structural funds projects as events warrant.

15. (SBU) Speaking about the view from the Czech Republic at the EU Russia Forum event, Daniel Kostoval, the Director of the North and East Europe Department in the Czech Foreign Ministry, estimated that it will take five to ten years to

BRUSSELS 00000280 002 OF 003

forge a common EU approach to energy security, and that right now the EU is not doing much at all. He posited that the EU's main task should be to coordinate diversification of energy sources and routes to satisfy growing European demands. Kostoval asserted that Russia's behavior as a supplier can be summed up as "reliably unpredictability." He talked about widespread perceptions among European energy analysts that Russian gas production is decreasing, that Russia is not investing in its infrastructure, that it lacks experience needed for offshore drilling, and that it ultimately does not have enough fuel to satisfy its current signed contracts. These are reasons why Moscow is moving to reassert itself in the Caspian region, Kostoval said. He opined that now is the ideal time for member states to reconsider their large dependence on gas in light of other options, such as nuclear energy. He also pointed to a fundamental difference in Western and Russian worldviews; Kostoval informed the audience that while recently discussing the EU's Partnership and Cooperation Agreement with Russia, his Russian counterparts told him, "Russia does not share European values, and we don't want to. Let's stop pretending we have common values and let's refrain from writing such things into our agreements." (REF B)

16. (SBU) Marjeta Jager, the Director of General Policy in the European Commission for Energy and Transport and a former Slovene diplomat, said that the January gas supply disruptions highlight the tremendous work that the EU needs to do to integrate EU markets and assure the security of gas supplies. Sounding a different note from that expressed earlier by Noel and Kostoval, Jager told the audience that although she believed both Russia and Ukraine need to repair their damaged image, Russia is ultimately a reliable energy supplier and she believed that there would be no future supply disruptions. Jager reiterated the Commission's strong support for Nabucco as well as South Stream and Nord Stream, and noted that new initiatives were presently being prepared by Caspian states and the Commission welcomes considering those as well. She also praised the work of her office in solving the crisis and the speed with which the Commission was able to assemble and deploy pipeline monitors. Noel and Kostoval tempered such praise and instead pointed to the

sizable challenges EU member states and the Commission face in their efforts to bolster European energy security.

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EU Experts Blame Disunity and Economic Woes  
for Lack of Energy Security Progress  
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17. (C) Poloff met on 12 February with Nicu Popescu, a Policy Fellow with the European Council on Foreign Relations, who in 2007 drafted a report entitled "A Power Audit of EU-Russia Relations." Popescu asserted that divergent national interests among the EU member states -- which he claims tend more often to fall on north-south rather than east-west lines -- are precisely what prevents the conceptualization of an EU approach to energy security, and what enables Russia effectively to drive wedges between member states. Piotr Kaczynski, a Research Fellow with the Centre for European Policy Studies, told Poloff on 24 February that on the positive side, Russian actions have compelled the Commission to deal more seriously with energy security. To support this claim, Kaczynski outlined a plan to create a new office for energy issues within the Commission; this autumn, when the new Commission is seated, the current Directorate General for Energy and Transport is slated to split, and a new Directorate General for Energy, possibly also responsible for Climate Change issues, will be created. Still, Kaczynski lamented that the current global economic situation is making it more difficult to commit EU resources to energy security; a plan by the Commission to allocate some \$4.82 billion (3.75 billion euros) of unused funds from the 2008 budget to energy infrastructure projects was rejected on 23 February by a grouping of the EU's biggest budget contributors, and legal arguments have also been made against the proposal. Germany, France, the United Kingdom, and the Netherlands have argued that those funds should be proportionally returned to the member states for their own use. Kaczynski averred that an EU energy policy will eventually be agreed to, but noted that it is highly unlikely to come together in less than four years. In the meantime, he asserted that member states are likely to take security-promoting initiatives on a state-by-state basis, or in regional groupings, such as in ongoing Polish and Baltic state cooperation on electrical grid interconnections. Still, he held that existing EU agreements, such as those on climate change and pledges to reduce carbon emissions, provide a common framework for member states to consider energy policies.

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Debate on Nuclear Energy in the EU Rapidly Shifting

BRUSSELS 00000280 003 OF 003

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18. (C) On 11 February, Poloff met with Czech MEP Libor Roucek, Vice Chair of the Committee on Foreign Relations in the European Parliament. Roucek believes that the debate on nuclear energy in the EU is quickly shifting and represents a needed component to European energy security. He noted that the perceptions of nuclear energy in Central Europe are improving, and cited plans -- at varying degrees of progress -- to build new reactors in the Baltic States, Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia. He said that nuclear energy is an area of expertise for the Czechs, and speculated that this could be an eventual niche industry for the French and possibly the Czechs within the European market. The Czech Republic and Slovakia are cooperating on the European Nuclear Energy Forum, a regularly occurring meeting designed to encourage a dialogue between industry experts and EU leaders on the pros and cons of nuclear energy. Still, as Roucek pointed out, proponents of nuclear energy will have a difficult time convincing Austria, and he described Austria's opposition to nuclear energy as "militant." Roucek speculated that Vienna would make any organized approach to nuclear energy in the EU extremely difficult. He predicted that German opposition would

eventually wane, as happened with Italy and Sweden; both states in February decided to reexamine their previous bans on nuclear energy. Roucek noted that even the ardent opposition to nuclear energy by the Czech Greens Party, a member of the Czech governing coalition, could be neutralized over time. Roucek speculated that internal divisions in the Greens party or the probable creation of a new government within the next few years that does not rely on their support would make it easier for the Czech Republic to pursue the nuclear renaissance Prime Minister Mirek Topolánek called for in 2008.

19. (C) Comment: While the EU may make incremental progress in liberalizing the internal market for gas and electricity and in promoting projects to diversify European energy supplies, the adoption of an overarching common energy security policy appears highly unlikely in the next few years. The recent gas disruptions to Central Europe have certainly emphasized the need for the EU to address energy security; however, obstacles loom large, specifically key differences between member states on whether to create an integrated European gas supply network, where the funding for security bolstering initiatives should come from, and how nuclear energy might factor into the equation. The CE-10 states, given their comparatively large dependence on Russian fossil fuels, are likely to remain the chief advocates for a common EU energy security policy, despite the odds. End comment.

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